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Chapter 4 – Budgeting

4.1 General

Each year, state agencies and others submit their proposed budgets and funding requests to OMB. After review and approval by the OMB and the Governor, the annual operating budget, reflecting the State's anticipated revenues and expenditures for the coming year, is presented to the Delaware General Assembly in the annual Appropriation Bill.

The State's **Budget** is the complete financial plan of the State as evidenced by all appropriations and allowances made by and estimates of revenue approved by the General Assembly, including:

- The general budget of appropriations adopted by the General Assembly and approved by the Governor;
- All other appropriations and allowances authorized by law, which have been or shall be made to any agency of the State which is supported in whole or in part out of the revenues, taxes, licenses, fees, permits, fines, or other sources;
- The appropriations, allowances, and revenue estimates for any agency, which is empowered by statute to collect and expend revenues by the use of special funds by whatever name known whether or not specifically appropriated by the General Assembly; and
- The budgets and the revenues and expenditures of all agencies to which monies are appropriated by supplementary appropriations or otherwise.

(29 Del. C. §6301)

The State prepares and approves three (3) types of budgets each year:

- ◆ The Operating Budget (Section 4.2)
- ◆ The Capital Budget (Section 4.3)
- ◆ The Grants-in-Aid Budget (Section 4.4)

This chapter will review the various processes associated with each of these budgets, as well as the policies and procedures governing:

- ◆ Grant Funds (Section 4.5)
- ◆ Budget Transfers (Section 4.6)

4.2 The Operating Budget Process

The OMB Director prepares the proposed budget plan in a format that can be readily analyzed and is comprehensive in nature (**29 Del. C. § 6335**). The proposed budget includes all proposed expenditures of State special funds, excluding federal grants and non-federal grants funds and gifts, bequests, tuition receipts and the proceeds from the sale of debt instruments by state agencies.

State special funds, which are included in the budget, are known as ASF and are treated for budgetary purposes in the same manner as the State's GF.

4.2.1 Budget Instructions

OMB disseminates budget instructions each year to aid agencies in the timely and accurate completion of proposed budgets. These instructions outline the content, form, and format needed for agencies to properly complete budget requests and provide agencies with any special or additional information.

For more information or to access this year's budget instructions, agencies should refer to <http://budget.delaware.gov/bdis-cizer/bdis.shtml>.

4.2.2 Budget Submissions

Each year, on or before **September 1st**, the OMB Director is required to furnish each budget unit, whether they are state agencies or non-state agencies, with official budget estimate blanks, which are used to request funds for the upcoming fiscal year (**29 Del. C. §6503(a)**).

State and non-state agencies must complete and submit annual budget request forms to OMB on or before **November 15th**. Public school districts must complete and submit annual budget request forms to OMB on or before **October 30th** (**29 Del. C. §6502(a)**). In the case of any non-State organization, body, commission, or person intending to request an appropriation from the General Assembly, the request must be made by and sworn to by a duly authorized person (**29 Del. C. §6502(b)**).

Requests for State special funds and itemized estimates of all anticipated State special fund receipts must also be included as part of the annual budget request submissions to OMB (**63 Del Laws, C. 279**).

4.2.3 Budget Hearings

The OMB Director is responsible for holding public hearings on any and all estimates to be included in the budget. Hearings shall begin not later than **November 15th**, and the OMB Director is responsible for giving notice of these meetings as deemed necessary.

These public hearings shall be open to the press. Any citizens or authorized representatives of any organization or group of citizens may attend these hearings and be heard upon any subject matter properly in review.

The head or authorized representative of any agency of the State receiving or asking for financial aid may attend and be heard in explanation of any request for financial aid contained in any estimate submitted to OMB.

(29 Del. C. §6332)

4.2.4 Submission to the Governor and the General Assembly

The OMB Director is required to submit a proposed budget report to the Governor, based on his review of State agency budget estimates, on or before **December 15th**. During the review, the OMB Director may increase or decrease any estimate submitted, except those of the Judiciary and the General Assembly.

Any revisions made by the OMB Director must be indicated in the Director's report to the Governor, including the reason(s) for the revision (29 Del. C. §6333). The Director's report is an itemized plan for the proposed expenditures of each agency of the State (classified by function and character) and for the estimated revenues for the ensuing fiscal year. (29 Del. C. §6334(a))

The Governor prepares a proposed budget report for each House of the General Assembly, based on the report of the OMB Director, including any changes deemed necessary or desirable. The Governor must submit the proposed budget on or before **February 1st**. At the same time, the Governor must also submit copies of the tentative Budget Appropriation Bill to each House of the General Assembly, detailing all the proposed appropriations for the budget, clearly itemized and properly classified. (29 Del. C. §6335(a))

4.2.5 Budget Considerations by the General Assembly

Within five (5) days of the Governor submitting the proposed budget and Budget Appropriation Bill, the standing finance committees in charge of the Budget Appropriation Bill from each House of the General Assembly must sit jointly in open session to begin consideration of the budget and the Budget Appropriation Bill. (29 Del. C. §6336)

All persons interested in the estimates under consideration may be admitted to the joint sessions and have the right to be heard. The Governor, or his representative, and the Governor-elect also have the right to sit and be heard on all matters coming before the joint committee at these public hearings.

The joint committee may call for the heads of state agencies requesting financial aid (or responsible agency representatives) to attend the public hearings, and the joint committee may compel agencies to furnish information and answer questions, as the committee may require for its considerations. **(29 Del. C. §6336)**

The General Assembly may increase, decrease, or eliminate items in the Budget Appropriation bill in any way that is not contrary to the Constitution of the State. No items providing appropriations for payment of interest or principal due on State debt may be decreased or eliminated. **(29 Del. C. §6337)**

Final action by the General Assembly on the Budget Appropriation Bill must be taken on or before June 30th. Neither House may consider any further or special appropriations until the Budget Appropriation Bill is finally acted upon by both Houses, except in case of an emergency. Any such emergency must be clearly stated in the further or special appropriation bill. **(29 Del. C. §6337)**

4.2.6 Modifications to the Budget Appropriation Bill

Prior to the General Assembly's final action on the Budget Appropriation Bill, the Governor may amend or supplement the Bill, in case of an emergency or to correct an error or oversight, by delivering any such amendment or supplement to both houses of the General Assembly.

Any such amendment or supplement then becomes part of the Budget Appropriation Bill as an addition to items of the Bill or as a modification or substitution for any affected item of the Bill. **(29 Del. C. §6338)**

4.2.7 Supplementary Appropriation Bills

Any further or special appropriations not included in the Budget Appropriation Bill are known as supplementary appropriations. Each supplementary appropriation must be embodied in a separate bill limited to some single work, object, or purpose that is clearly stated within each Supplementary Appropriation Bill. A Supplementary Appropriation Bill, by its provisions, shall provide or designate the source from which the money therein is to be derived. **(29 Del. C. §6339)**

4.2.8 Limits on General Fund Appropriations

No appropriation, supplemental appropriation or budget act shall cause the aggregate General Fund appropriations enacted for any given fiscal year to exceed 98 percent (98%) of the estimated GF revenue for such fiscal year from all sources, including estimated unencumbered funds remaining at the end of the previous fiscal year. **(29 Del. C. §6533(b))**

Any portion of the amount between 98% and 100% of the estimated GF revenue for any fiscal year may be appropriated in any given fiscal year in the event of emergencies involving the health, safety or welfare of the citizens of the State, those appropriations to be approved by three-fifths of the members elected to each House of the General Assembly. **(29 Del. C. §6533(c))**

No appropriation or supplemental appropriation enacted for any given fiscal year for Grants-in-Aid shall:

- Be made otherwise than pursuant to an act by the General Assembly, passed with the concurrence of three-fourths of all the members elected to each House; **(29 Del. C. §6341)**
- Exceed 1.2% of the estimated net state GF revenue estimated in March for that fiscal year from all sources; and/or
- Cause the aggregate state GF appropriations enacted for any given fiscal year to exceed 98% of the estimated net state GF Revenue for that fiscal year from all sources, including estimated unencumbered funds remaining at the end of the previous fiscal year. **(29 Del. C. §6533(f))**

A summary of the calendar time-line for budgetary activities is listed below:

The Operating Budget Cycle

Calendar Deadline	Budgetary Activity	Code Reference (29 Del. C.)
On or before September 1 st	Budget Estimate Blanks distributed by OMB	§6503(a)
On or before October 30 th	Proposed budget request submissions due for Public School Districts	§6502(a)
On or before November 15 th	All proposed budget request submissions due (including those for state special funds, state agencies, and non-state agencies)	§6502(a), (b)
Not later than November 15 th	Last day to begin budget estimate public hearings	§6332(a)
On or before December 15 th	OMB Director completes review and revision of the proposed budget report and submits to Governor	§6333, §6334(a)
On or before February 1 st	Governor submits proposed budget report and the Budget Appropriation Bill to each House of the General Assembly	§6335(a)
Within 5 days after the proposed budget and Budget Appropriation Bill are submitted (by the Governor)	Joint meetings of the standing committees of each House of the General Assembly are held for budget and Budget Appropriation Bill consideration.	§6336
On or before June 30 th	Deadline for General Assembly approval of the annual operating budget	
July 1 st	Beginning of the State's Fiscal Year	§6507

4.3 The Capital Budget Process

The Capital Budget includes the program of state public works, major and minor capital improvement projects, and other facilities recommended to be taken by the State and any of its authorities or instrumentalities. Agencies submit their capital budget requests to the OMB Director for inclusion in the submission to the Governor.

Although submission dates for Bond Bill budget requests are not mandated by Delaware Code, in practice the dates mirror those set forth for annual Operating Budget submissions. Submissions to OMB will be presented to the Governor and House standing finance committees for review and hearings prior to passage of the Bill.

The Capital Budget submission process begins with state agencies submitting their proposed capital budgets to the OMB Director, who will then arrange for public meetings and review. After the meetings and review process, the OMB Director assembles a proposed capital budget for submission to the Governor. The Governor reviews and amends the proposed capital budget and submits a proposed Bond Bill to both Houses of the General Assembly, who then hold joint hearings to review the bill before passage.

Upon its passage, the Bond Bill Authorization, also known as the Bond and Capital Improvement Act, creates bond appropriations and grants immediate authority to spend the appropriated monies, even before the monies are collected from the sale of the bonds, notes, or revenue notes.

4.3.1 Capital Improvements Project Types

Capital Improvements projects are segregated into two (2) main categories: Major Capital Improvements, and Minor Capital Improvements.

1. **Major Capital Improvement projects** are generally used for new facilities, major renovations, and economic development efforts. The projects have estimated costs in excess of \$500,000 and the underlying assets carry a life expectancy of 20 years or more.
2. **Minor Capital Improvement projects** are generally used to maintain the efficiency and condition of State-owned facilities and may involve reconstruction, renovations, or equipment purchases. These projects have estimated costs of up to \$500,000 and the underlying assets should carry a life expectancy of 10 years or more.

4.3.2 Annual Report to OMB

Each year, every state agency, department, and institution of higher learning, which receives proceeds of appropriated bonds or notes, must report to OMB the status of each project and the anticipated cash flow for each project not complete. **(29 Del. C. §7419(b))**

4.3.3 Timetable for Use of Bond and Capital Funds

The use of state bond funds must be in compliance with the following State Code requirements:

1. Any project authorized to be undertaken with the proceeds of State bonds must commence in the fiscal year in which it is authorized. **(29 Del. C. §7416(c))**
2. Authorized project must proceed into one or more of the following phases within 18 months from the effective date of the original authorization:
 - Planning;
 - Initial Engineering;
 - Land, building, or equipment acquisition; and/or
 - Construction or reconstruction;**(29 Del. C. §7416 (a) and (c))**
3. If a project has not proceeded into one or more of the identified phases within the allotted time, the authorized but unsold portion of the bonds shall automatically be de-authorized, and any unspent cash balances shall be reverted to the Bond Reversion Account to be applied to the costs of any other authorized project. **(29 Del. C. §7416 (c))**
4. No funds appropriated by an authorization act may be encumbered for any individual project more than 3 years after the passage of such an act, unless:
 - The project has progressed into the phases listed above; or
 - 85 percent of the project costs have been expended on one or more of such phases**(29 Del. C. §7416(a))**
5. No bonds or notes may be issued, nor may funds be borrowed pursuant to an authorization act 4 years after the passage of such an act. **(29 Del. C. §7416(b))** Local school district capital improvements are not subject to this deadline.

4.3.4 Unexpended Capital Funds

Funds that are borrowed pursuant to an authorization act may remain unencumbered for a variety of reasons, including:

- Completion or abandonment of an authorized project; or
- Failure to undertake a project in a timely manner; or
- Expiration of the time periods set forth in **29 Del. C. §7416**.

Any such borrowed and unencumbered funds shall be deposited in a special fund. These funds may be applied to the cost of financing any previously authorized projects, upon the approval of the Governor, Secretary of State, State Treasurer, and the Secretary of Finance (**29 Del. C. §7418**). The head of the department or agency is responsible for which funds were appropriated to determine when a project is completed or abandoned, and to notify OMB within 15 days of the final determination of the project status.

Schools are usually the agencies impacted by unexpended capital funds. The agency must send a letter to OMB. OMB and CGO must both sign the letter. Then OMB performs the transfer of funds.

4.4 Grants-in-Aid Budget Process

Grants-in-Aid are an appropriation made by the General Assembly to provide supplemental funding to support the activities of nonprofit agencies that provide services to Delaware's citizens. Grants-in-Aid should not be considered as sole sources of funding.

To qualify for Grants-in-Aid, agencies must have IRS 501-C3 tax exempt status and must have been incorporated in the State for at least two years prior to the beginning of the fiscal year for which they are applying.

Applications for Grants-in-Aid are available on the first business day in July and must be submitted to the CGO by the first business day of November.

The Joint Finance Committee meets, during the Legislature's two-week Easter holiday break, to review applications and hold public hearings on the Grants-in-Aid requests.

Decisions regarding Grants-in-Aid are made by the Joint Finance Committee in late June.

Any appropriation for Grants-in-Aid will be made, only if it is in accordance with an act by the General Assembly. The appropriation must be passed with the concurrence of three-fourths of all the members elected to each House. **(29 Del. C. §6341)**

For more information on Grants-in-Aid, agencies should refer to http://legis.delaware.gov/legislature.nsf/lookup/Grant_in_Aid.

4.4.1 Receipt of Grants-in-Aid Funds

Funds appropriated in a Grants-in-Aid bill will be paid in installments of 25 percent each quarter of the fiscal year, in accordance with the administrative procedures established by the Secretary of Finance and the State Treasurer.

In the event that the amount of a Grants-in-Aid funding appropriation is \$6,000 or less, it will be paid in a single annual payment.

The General Assembly may make exceptions to the installment requirement by adding epilogue language to the Grants-in-Aid bill. **(29 Del. C. §6505(d))**

4.4.2 Limits on the Grants-in-Aid Bill

No appropriation or supplemental appropriation enacted for any given fiscal year for Grants-in-Aid in the aggregate shall:

1. Exceed 1.2 percent of the estimated net state GF revenue estimated in March for such fiscal year from all sources; and
2. Cause the aggregate state GF appropriations enacted for any given fiscal year to exceed 98 percent of the estimated net state GF revenue for such fiscal year from all sources, including estimated unencumbered funds remaining at the end of the previous fiscal year. (The term "estimated net state GF revenue" means the estimated gross state GF revenue less estimated revenue refunds).

((29 Del. C. §6533(f))

4.5 Grant Funds

4.5.1 Delaware State Clearinghouse Committee

The Delaware State Clearinghouse Committee is responsible for the approval/disapproval of federal and non-federal grant coordination. The Committee sets the procedures and guidelines covering all grant applications and serves as the federal Single Point of Contact (SPOC) for the State for all grant applications. For more information of the Clearinghouse, see **29 Del C. §7601**.

4.5.2 Submission of Grant Applications and Plans

All agencies or entities, whether public or private, including political subdivisions of the State and higher education, that:

- Receive state funds to be used in part or in total as match for receiving federal funds; or
- Which receive funds through the annual Budget Appropriation Act, or
- Which through the receipt and expenditure of federal funds impact state expenditures, must submit plan(s) or application(s) for federal or non-federal grants and monies to OMB for review and approval or disapproval by the Delaware State Clearinghouse Committee, **prior to submitting the application(s) to federal authorities for the purpose of receiving funds, (29 Del. C. §7603)**, and prior to submission to any other federal or non-federal entity.

For additional information about the grant submission process, agencies should refer to <http://budget.delaware.gov/clearinghouse/fedgrants.shtml>.

4.5.3 Required Public Hearings on Block Grants

The Delaware State Clearinghouse Committee is the authorized committee to hold required public hearings on behalf of the Delaware General Assembly for block grants to the federal government. The public hearings are held to:

- Permit public examination of the projected use and distribution of block grant funds;
- Allow affected residents of the State, appropriate units of local governments and private agencies to examine the application and submit comments; and,
- Obtain views of the residents of the State.

(29 Del. C. §7604)

The public hearing may be held at the same time the agency's application for block grant funds is reviewed, approved or disapproved by the Delaware State Clearinghouse Committee, at the Committee's discretion. **(29 Del. C. §7604)**

In addition to other methods as the Committee may determine, notice of a public hearing must be given by publication in a newspaper of general circulation in the State at least ten (10) days preceding the date of the public hearing, except where a longer period is expressly provided by applicable law. The notice must state the date, time, and place of the public hearing, and must specify the matters to be considered. **(29 Del. C. §7604)**

4.6 Budget Transfers

Budget transfers relate only to adjustments (increases/decreases) of spending authorization provided to agencies by the General Assembly. These spending authorizations are the GF and ASF appropriations.

The Budget Transfer transaction is used in the State's finance and accounting system to reallocate spending authorization, *or spending authority*, among or between GF appropriations (GF to GF transfers). The Budget Transfer transaction is also used to transfer spending authority among or between SF appropriations (SF to SF transfers).

Budget Transfer transactions may be executed by agencies or by OMB, depending on the budget definitions that underlie the affected appropriations:

- Transfers within the SCHOOLS budget definition do not require OMB approvals.
- Transfers within the MAIN and ASF_SPEND budget definition require both OMB and CGO approval and may only be executed by OMB.
- Agencies may move spending authority among their own appropriation's spending lines without OMB approval.

Agencies should contact DOA for any questions about these transfers.

The Budget Journal transaction (formerly called an AA) is used to move cash among GF appropriation accounts, to load appropriated budgets at the start of the fiscal year, and to establish new appropriations (for example, upon approval of a grant). Budget Journal transactions require both OMB and CGO approvals. The approvals for this transaction type require hardcopy signatures, and OMB is responsible for executing the transaction in the State's financial management system, after all necessary approvals are obtained.

The following policies relate to budget transfers:

1. Transfer of funds from one item of account to another on the books of any agency must be made with the written approval of the OMB Director, unless authorized in other paragraphs. **(29 Del. C. §6528(a))**
2. Transfer of appropriated GF from one item of account to another on the books of any agency must be made with the written approval of the OMB Director and the Controller General, unless authorized in other paragraphs. **(29 Del. C. §6528(b))**
3. Appropriated GF shall remain within the department or agency where the funds are appropriated and shall not be transferred for use by another department or agency, except as provided by law or within the provisions of Paragraph 7 of this Section. **(29 Del. C. §6528(c))**
4. Appropriated GF may be transferred within a department or agency of the State, subject to the authority and limitations stated in this Manual, and the approval by the Controller General. However, the approval by the Controller General is not required on transfers from the Budget Commission. **(29 Del. C. §6528(d))**
5. No funds may be transferred into appropriations for "Personnel Costs", "Salaries", or "Salaries and Wages" from appropriations for non-salary items. Funds appropriated by the Budget Appropriation Bill for "contingency funds" shall not be used for the payment of a line-item salary, except as otherwise specifically provided by law and for the sole purpose of maintaining the salary schedule defined for school employees. **(29 Del. C. §6528(d))**
6. The Department of Technology and Information is exempt from Paragraphs 4 and 5 from above. However, if the Department of Technology and Information needs to transfer unexpended appropriated personnel costs to either "contractual services" or "equipment rental", the request must be made from the Secretary of the Department of Technology and Information, with the approval of the OMB Director and the Controller General.
7. In the event the appropriation set forth by the Budget Appropriation Bill is excessive or inadequate to any department or agency, the OMB Director, with concurrence of the Controller General, is authorized to transfer funds among the various departments for:
 - a. Specific non-routine requirements, which must be in writing, recorded, and controlled through separate accounts within the OMB Contingencies.
 - b. Salary and Other Employment Costs, or Personnel Costs to meet overall State Salary and Other Employment Costs requirements. These authorizations for transfer can be between Salaries and Other Employment Costs and must be in writing with full documentation.

- c. Matching funds and Public Education funds where extended educational components may be administered within other departments or agencies.
(29 Del. C. § 6528(f))
- 8. All departments with Internal Programs may transfer appropriations among Travel, Contractual Services, Supplies and Materials, and Capital Outlay lines within the Internal Program. These transfers will not require the approval of the OMB Director and Controller General.
- 9. All requests for transfers within the GF or ASF must contain the following justifications:
 - a. What is the agency proposing to purchase or contract?
 - b. What is the effect on the current budget?
 - c. What programs are affected and to what degree?
 - d. What improvement in services will be provided?
 - e. How did the surplus develop?
 - f. Will this transfer be recurring?
 - g. What is the effect on the budget for the next fiscal year?
- 10. All transfers must have the approval of the agency head.
- 11. The movement of cash between special fund appropriation accounts may only be accomplished using the Budget Journal transaction.

4.7 Cash Transfers

Agencies are required to use an Intergovernmental Voucher (IV) or a Zero-Balance Cash Receipt (ZBCR) transaction to move *cash* among or between GF and SF appropriation accounts. These transactions do not require OMB approval.

The IV transaction is used to move cash from one agency to another when the money represents payment *in exchange for a supplied good or service*. Movements of cash that are not associated with a provided good or service should be made with an Intergovernmental Transfer (IVT) transaction. The ZBCR is used for corrections, or to reallocate funds.

For example:

1. An agency uses an IV to reimburse DOA for the agency's share of the State's monthly SuperCard charges (goods and/or services were received when the SuperCard was used), or to pay for the agency's share of the monthly phone bill.
2. DelDOT transfers cash to OST, who then redistributes the money among several school districts. The transfer from DelDOT to OST is made using an IVT (money is moving, but no underlying service or good exists), while the distribution to schools districts is made using a ZBCR (a reallocation of funds).

4.8 Project Costing

Agencies can track proposed and actual project budgets and expenditures using the Project Costing (PC) module of the State's financial management and accounting system (FSF). Multiple projects can be rolled up into Summary Projects, and multiple Summary Projects can also be rolled up into one Summary Project to aid agencies in tracking and reporting ongoing project activities. Project Costing establishes:

- Projects
- Activities
- Budgets

Every project must have at least one activity associated to a project before a budget can be established. Summary projects do not have activities attached, nor can they have project transactions cited against them. Summary projects are used to facilitate reporting. Only the central Project Costing personnel will be able to change or delete project IDs and activities, only if no transactions exist against those project lines. Activities are based on project type.

Agencies choosing to use the Project Costing functionality are required to associate transactions with projects, using a Cost Center number for identification purposes. This association will allow all transactional information to feed back to the appropriate project.

Cost Center numbers are created for projects using the numbering protocols developed by OMB and by DOA's central Project Costing personnel. Agencies should contact DOA for assistance in assigning Cost Center Numbers, if needed.

The budget for a project can exceed the appropriation on the budget for that project, but the appropriation budget will prevent, regardless of the amount remaining in the project budget, project-related transactions from processing after the appropriation limit is reached. Although each project may have multiple cost budget plan revisions, only one cost budget plan is in effect per project at any given time.

If dollars are being moved within a single project, or among projects with the same chartfield string, OMB's approval is not required. If a higher appropriation amount is required for a project, then OMB's approval is required and additional funds are entered into budget journals at the appropriation level.

Although the use of the Project Costing module in the State's financial management and accounting system is optional, OMB strongly encourages the use of the Project Costing module for Capital Improvement projects and for federally funded grants.

Schools should contact the Department of Education (DOE) for additional policies and procedures associated with the use of the Project Costing module.